

Discussion Paper 171

Living Life: Overlooked Aspects of Urban Employment

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Understanding urban employment is critical to designing policies and programs to reduce urban hunger and poverty. Unlike rural dwellers who frequently buy less than half their food, residents of megacities and large metropolitan areas generally have to buy more than 80 percent of their food. To enrich our understanding of urban employment—critical to designing policies and programs to address urban hunger and poverty—this paper presents profiles of urban employment in developing-country cities drawn from the literature as well as data from household surveys conducted by the International Food Policy Research Institute (IFPRI) and others. It challenges some common perceptions of urban employment and highlights three often-overlooked aspects of urban employment: the importance of agriculture; the importance of formal-sector jobs, even to the poor; and seasonal variations in income, even among those not connected to the agricultural sector.

Data

Data for the study are from surveys conducted in the mid- to late 1990s in Bangladesh, Egypt, Ghana, Malawi, and Peru. Data from Egypt, Malawi, and Peru are from nationally-representative surveys. Data from Bangladesh are from slum areas in two cities, Jessore and Tongi. The data from Ghana are from a representative city-sample of Accra.

Connections Between Employment and Poverty

Unemployment rates in urban areas were mostly under 10 percent. This runs counter to the notion of widespread unemployment among developing-country city residents. But perhaps the poor simply are not working full-time, or they hold many jobs simultaneously? The data do not support this: in fact, the large majority of workers worked at least 35 hours a week. Low unemployment rates and a high proportion of full-time workers support the idea that urban dwellers have no choice but to work. But, in fact, participation rates are not that high. Only 50-80 percent of working-age men are in the labor force and women's participation rates are much lower. Low rates of unemployment and the consistent reporting of "full-time" work may show that many have become discouraged and withdrawn from the economically active population. In the developing world, then, unemployment does not mirror poverty, as it does elsewhere. Poverty and employment entwine, not because there are "no jobs" but because jobs are insecure, un-certain, or low paying. Without better and higher paying jobs, the urban promise fades.

Profiles of Employment

Agriculture in the cities. This paper distinguishes between rural areas, the largest cities in each country, and "other" urban areas. These divisions illustrate the fuzziness of the rural-urban transition and highlight differences and similarities between those areas typically thought of as urban and those thought of as rural, even when these "rural towns" have large populations (often exceeding 100,000).

Agriculture, forestry, and fishing are still important to the incomes of many urban dwellers, especially outside large metropolitan areas. In addition, even in the largest cities, many workers earn their living indirectly from agricultural-based enterprises. Urban businesses also provide agricultural inputs, like seeds, chemicals, tools, and machinery. The surveys showed that even in large metropolitan areas, 2-3 percent of urban dwellers earned a living from agriculture.

The importance of the formal sector. Although the contribution of the informal sector is important, generally most urban residents do not work in the informal sector. The majority of urban dwellers work for wages or salaries and the public sector remains an important source of employment.

Seasonality. Seasonality in urban areas may hit the poor who work as day laborers especially hard compared to those who work in offices or factories. As an example, with rains, prices can increase as goods have a more difficult time arriving to the city. Incomes can fall as construction and street sales slow. At the same time, rural dwellers may migrate to the city temporarily, competing for scarce jobs.

The Importance of Personal Networks

Getting a job depends on an individual's education and training, skills, and experience. Other personal characteristics, such as age, sex, and health, can also affect an employer's hiring decision. Just as important, getting a job depends on access to informal social networks of family, ethnicity, and community. Networks of family and neighbors provide a reservoir of trust and reciprocity in a dynamic city environment where people may not know each other well. For producers, these networks provide easy access to workers, credit, local technology, and know-how.

Women and the Workplace

The issues women face in the labor market are well known: discrimination, limits on movement, and the "double day" women spend at their job and then home and family. Although women's participation in the labor force has grown much faster than men's, proportionally far fewer women work than men. In this environment, women tend to concentrate on jobs that require lower skill levels or can be done from home. They are generally overrepresented in less secure and irregular jobs, often getting paid less than men for the same job, or working as unpaid family labor.

The availability of good-quality childcare is a central issue in addressing equality of opportunity in the workplace. However, if women actually control the income they earn, they may increase amounts spent on food, health care, and education, offsetting negative impacts of potentially less attentive care.

Working outside the home may allow women to discover new freedoms and widen their circle of social contacts and chal-

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lenge traditional conceptions of women's roles. Policies must be in place to cut down barriers to gender equality so that empowerment can lead to true equality of opportunity and choice.

The Informal Sector: Dynamic or Dead End?

Although the definition of "informal sector" is not strictly comparable across studies, available studies indicate that it provides dependable employment and makes substantial contributions to income. This review casts doubt on assertions of the consistent primacy of the informal sector, however. In fact, the poor are scattered among different occupations, job types, and sectors. Because of this, it is important to consider local context and to examine how likely it is for the poor to work in the informal sector.

During the 1990s, development organizations came to see the lack of credit as a principal constraint on the ability to start or expand small income-generating activities. Thus, provision of credit became the programmatic focus of efforts to assist those in the informal sector. However, for these small businesses to become larger enterprises also requires conditions that promote growth and linkages, such as a conducive economic environment, mechanisms to link producers with larger markets, and training.

Trends: Globalization and Technology

Globalization will open up opportunities for growth but also expose businesses to global shocks, including those associated with capital outflows. To be competitive, urban labor will have to become more skilled, more flexible, and adjust to even less long-term security. Workers will need to master a panoply of skills and accustom themselves to rapid workplace change.

Technology will, in general, continue to displace jobs of higher-cost workers to countries where wages are lower. However, if the transportation, communication, and physical infrastructure is good, and the political environment is stable, firms may find overall costs of doing business less than in a lower-wage country.

Information technologies may allow decentralization of businesses from large cities to potentially lower-cost smaller cities. This would build up smaller cities and strengthen links with rural areas. With good intercity networks, businesses can

plan, design, manage, produce, package, and then ship their goods for sale to large metropolitan cities or abroad.

Policies and Programs

The constraints and catalysts to better urban employment are multilevel, multicultural, and transgeographical. Policies and programs must acknowledge the links between local needs and national and international markets.

National government must

- ensure that the labor force, especially the poor, has the skills to take advantage of current and future job opportunities;
- set macroeconomic and trade policies so they do not discriminate against labor;
- connect cities to internal and external markets through information and infrastructure;
- protect workers against ethnic or gender discrimination and guarantee worker safety; and
- ensure that financial markets work to meet credit demands by enterprises of all sizes.

Cities must

- identify local needs and make sure local, regional, and national planning takes them into account, with special attention to the food and agricultural system;
- ensure that city services work, including education and health care;
- reduce bureaucratic entanglements and corruption;
- clarify and protect housing and property rights; and
- partner with the private sector and nongovernmental organizations to meet business needs and also match workers with labor demand.

These sorts of policies can generate an environment to create employment and reduce poverty. The emphasis on getting the environment right builds on the knowledge that the poor are not passive. They are industrious and ingenious. But they must have both the tools, such as credit and education, and the environment in which they can put them to good use if they are to get the better jobs to help them improve their lives.

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